APPENDIX.

Revenue Act of 1934:

SEC. 22. GROSS INCOME.

(a) GENERAL DEFINITIONS—"Gross income" includes gains, profits and income derived from * * * sales or dealings in property whether real or personal, growing out of the ownership or use of or interest in such property; also from interest, rent, dividends * * * or gains or profits and income derived from any source whatever. * * *

SEC. 166. REVOCABLE TRUSTS. Where at any time the power to revest in the grantor title to any part of the corpus of the trust is vested—

(1) in the grantor, either alone or in conjunction with any person not having a substantial adverse interest in the disposition of such part of the corpus or the income therefrom, or

(2) in any person not having a substantial adverse interest in the disposition of such part of the corpus or the income therefrom,

then the income of such part of the trust shall be included in computing the net income of the grantor.

SEC. 167. INCOME FOR BENEFIT OF GRANTOR.

(a) Where any part of the income of a trust—

(1) is, or in the discretion of the grantor or of any person not having a substantial adverse interest in the disposition of such part of the income may be, held or accumulated for future distribution to the grantor; or

(2) may, in the discretion of the grantor or of any person not having a substantial adverse in-

terest in the disposition of such part of the income, be distributed to the grantor; or

(3) (relating to payments on insurance, not material here);

then such part of the income of the trust shall be included in computing the net income of the grantor.

(b) As used in this section, the term "in the discretion of the grantor" means "in the discretion of the grantor, either alone or in conjunction with any person not having a substantial adverse interest in the disposition of the part of the income in question."

Internal Revenue Code:

SEC. 1141. COURTS OF REVIEW.

* * *

(c) Powers—

(1) TO AFFIRM, MODIFY, OR REVERSE.—Upon such review, such courts shall have power to affirm or, if the decision of the Board is not in accordance with law, to modify or to reverse the decision of the Board, with or without remanding the case for a rehearing, as justice may require.

Revenue Act of 1928:

SEC. 166. REVOCABLE TRUSTS. Where the grantor of a trust has, at any time during the taxable year, either alone or in conjunction with any person not a beneficiary of the trust, the power to revest in himself title to any part of the corpus of the trust, then the income of such part of the trust for such taxable year shall be included in computing the net income of the grantor.

SEC. 167. INCOME FOR BENEFIT OF GRANTOR. Where any part of the income of a trust may, in the discre-

tion of the grantor of the trust, either alone or in conjunction with any person not a beneficiary of the trust, be distributed to the grantor or be held or accumulated for future distribution to him, or where any part of the income of a trust is or may be applied to the payment of premiums upon policies of insurance * * *, such part of the income of the trust shall be included in computing the net income of the grantor.

Revenue Act of 1932:

SEC. 166. REVOCABLE TRUSTS. Where at any time during the taxable year the power to revest in the grantor title to any part of the corpus of the trust is vested—

(1) in the grantor * * *

then the income of such part of the trust for such taxable year shall be included in computing the net income of the grantor.

Conference Committee Report on the Amendments to the Revenue Act of 1934 (Cong. Rec., Vol. 78, pp. 7823-4):

"Under existing law, the income from a revocable trust is taxable to the grantor only where such grantor (or a person not having a substantial adverse interest in the trust) has the power within the taxable year to revest in the grantor title to any part of the corpus of the trust. Under the terms of some trusts, the power to revoke cannot be exercised within the taxable year, except upon advance notice delivered to the trustee during the preceding taxable year. If this notice is not given within the preceding taxable year, the courts have held that the grantor is not required under existing law to include the trust income

for the taxable year in his return. The Senate amendments require the income from trusts of this type to be reported by the grantor."

In explaining to the House the amendments in the Revenue Act of 1934, agreed to in conference, Mr. Samuel B. Hill, one of the House Managers stated (Cong. Rec., Vol. 78, pp. 7831-2):

"Amendment No. 96: It was found that many taxpayers were avoiding surtaxes by creating trusts in favor of their families which trusts could only be revoked by an advance notice given to the trustee prior to the beginning of the taxable year. This amendment closes up this loophole by taxing such income to the grantor of the trust. We thought this a good way to stop this sort of tax avoidance and agreed to the amendment."

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